



## Transportation Finance Issues: What is the state gas tax?

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### Wisconsin's gas tax background and history

- The largest source of revenue for the Transportation Fund is the state gas tax.
- There is no natural growth in state gas tax revenue.
  - The flat “per gallon” rate does not change, even as the price of gasoline rises.
- The Legislature created an annual indexing adjustment beginning in 1985.
- Indexing originally called for the state gas tax to be adjusted annually on April 1 based on inflation and overall fuel consumption.
  - In 1997, the Legislature removed the consumption factor, and based the adjustment on changes in the Consumer Price Index.
  - Sometimes indexing resulted in an adjustment *downward*, which led to a reduction in the state gas tax. This occurred in 1989 and 1994.
  - In 2005, the Legislature eliminated the annual indexing adjustment, with the last adjustment made April 1, 2006.

### Impacts on gas prices at the pump

- The price of gasoline results largely from the forces of supply and demand for petroleum products worldwide, crude oil prices, and refinery capabilities.
- Dramatic price swings in the cost of gasoline are almost always due to world, national, and market events that influence supply and demand, and in turn, price.
- Small changes in state tax rates on gasoline do not influence the basic supply and demand curves that establish the price of gasoline at the pump in Wisconsin and throughout the nation.

## What is PECFA?

- The Petroleum Environmental Cleanup Fund Act (PECFA) is the Wisconsin Legislature's response to federal regulations requiring the cleanup of contamination from underground petroleum tanks.
- Funding for a portion of cleanup activities is provided through the 2 cents per gallon PECFA fee.

### History of indexing and statutory adjustments in Wisconsin since 1985\*

|               |      |                    |
|---------------|------|--------------------|
| 1985          | 16.5 | Index adjustment   |
| 1986          | 17.5 | Index adjustment   |
| 1987          | 18.0 | Index adjustment   |
| 1987 (Aug. 1) | 20.0 | Statutory          |
| 1988          | 20.9 | Index adjustment   |
| 1989          | 20.8 | Index adjustment   |
| 1990          | 21.5 | Index adjustment   |
| 1991          | 22.2 | Index adjustment   |
| 1992          | 22.2 | Indexing suspended |
| 1993          | 23.2 | Index adjustment   |
| 1994          | 23.1 | Index adjustment   |
| 1995          | 23.4 | Index adjustment   |
| 1996          | 23.7 | Index adjustment   |
| 1997          | 23.8 | Index adjustment   |
| 1997 (Nov. 1) | 24.8 | Statutory          |
| 1998          | 25.4 | Index adjustment   |
| 1999          | 25.8 | Index adjustment   |
| 2000          | 26.4 | Index adjustment   |
| 2001          | 27.3 | Index adjustment   |
| 2002          | 28.1 | Index adjustment   |
| 2003          | 28.5 | Index adjustment   |
| 2004          | 29.1 | Index adjustment   |
| 2005          | 29.9 | Index adjustment   |
| 2006          | 30.9 | Index adjustment   |

\*State motor fuel rates in cents without PECFA fee add-on.

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